

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 312 - SB 814**

February 27, 2015

**SUMMARY OF BILL:** Authorizes the Commodore Hotel and Café in Perry County to sell alcoholic beverages for on-premises consumption.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$300/One-Time/ABC Fund  
\$1,000/Recurring/ABC Fund  
\$7,800/Recurring/General Fund**

**Increase Local Revenue – \$6,600/Recurring/Permissive**

**Assumptions:**

- This bill only applies to Commodore Hotel and Café in Perry County. The hotel has 12 rooms for guest sleeping accommodations.
- There is an initial application fee of \$300 and a \$1,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,000 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Perry County is 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY15-16.
- Based on the interquartile average of 2013 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, FRC has establishing three (3) simple, broad venue-type categories and set a ratio for each that is relative to the overall average LBD taxable base: Smaller than Average (50%); Average (100%); Larger than Average (150%). Given the smaller nature of this

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particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$55,000 ( $\$110,000 \times 50\%$ ) per year.

- The recurring increase in state revenue to the General Fund is estimated to be \$7,836 [ $(\$55,000 \times 7.0\%) - (\$55,000 \times 7.0\% \times 3.617\%) + (\$55,000 \times 15.0\% \times 50.0\%)$ ].
- The recurring increase in local revenue is estimated to be \$6,639 [ $\$1,000 + (\$55,000 \times 2.5\%) + (\$55,000 \times 7.0\% \times 3.617\%) + (\$55,000 \times 15.0\% \times 50.0\%)$ ].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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